Santa Clara Valley Water District

District Management Audit Program
Office of CEO Support

AUDIT REPORT

Project Number:	2013-B-001		
Project Name:	Use of District Passenger Vehicles Audit		
Project Start Date:	April 2, 2013	Project Close Date:	May 10, 2013
		Draft Report Issued:	May 20, 2013
		Final Report Issued:	May 23, 2013
Project Type:	Level 1 Internal Performance Management Audit		
Requested By:	District Board of Directors		

Key District Project Staff:

- Beau Goldie — Chief Executive Officer
- Jesus Nava — Chief Administrative Officer
- Ravi Subramanian — Deputy Administrative Officer, Procurement and Operational Services Division
- Art Taylor — Equipment Management Unit Manager

Background

At the March 12, 2013 board meeting, an internal performance management audit of the Use of District Passenger Vehicle was commissioned by the District Board of Directors.

On that date, the Board approved the Board Audit Ad Hoc Committee's recommended Board Management Audit Priority List, with included a level 1 internal performance management audit of passenger vehicle use.

A level 1 audit, as defined in the District Management Audit Program plan, is a basic procedural review that includes documentation and review of policies, procedures and controls of a particular business area or activity.

In requesting this audit, the Board Audit Ad Hoc Committee expressed concerns regarding the current use of district owned passenger vehicles, and requested a review of current policies and procedures, to determine if the proper procedures and management controls are in place to ensure that vehicles were used solely for business purposes and used in a matter that is efficient and in line with district needs.

The audit supports Board Governance Policy BL-5 Monitoring Board Appointed Officer Performance. More specifically BL-5.2 which states the following:

The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the BAOs disclose compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member of members of the Board assess compliance with the appropriate policy criteria.

The audit further supports Executive Limitation EL-3.1, which states that the BAO shall:

Operate with written personal rules which: (a) clarify rules for staff and (c) protect against wrongful conditions, such as preferential treatment for personal reasons.

And EL-4.3 which states a BAO shall: *Spend in ways that are cost efficient.*

Audit Scope

The Use of District Passenger Vehicles Audit seeks to answer the following questions, which define the audit scope:

1. What is the definition of a passenger vehicle?
2. How many passenger vehicles does the District currently have in service?
3. How are passenger vehicles utilized at the district?
4. What is the replacement timeframe for vehicles in this category?
5. Does the district have policies and procedures in place that govern the use of these vehicles?
6. Are roles & responsibilities clear?
7. Is there a form to fill out for "take home" or "assigned" vehicles? Are managerial approvals required?
8. Are utilization reports kept and maintained? Are the utilization reports shared or discussed with management? Are the utilization report reviewed and used to make assignment changes?
9. What occurs if improper use of vehicles occurs or current policy or procedures are not followed? Is corrective action taken?
10. Are current procedures being followed? – Compliance testing

In general, the purpose of the audit is to determine if the district has documented procedures and management controls in place to provide a reasonable level of assurance to the Board and the public that passenger vehicles at the district are used for business purposes and in a matter that is appropriate and in line with district needs.

Scope Exclusions

The Use of District Passenger Vehicles Audit did not include a detailed examination or testing of individual vehicle odometer readings or usage records, which would go beyond the scope of a Level 1 procedural audit.

The Use of District Passenger Vehicles Audit specifically focused on the ninety-four (94) district owned vehicles in the passenger classification and did not include a review of non-passenger Class 1 or Class 2 vehicles, or equipment.

Audit Steps

The Use of District Passenger Vehicles Audit was conducted by acquiring information through interviews and examination of business activity area websites, procedures, forms, completed transaction documents and reports.

Interviews with Key District Staff

Art Taylor, Equipment Management Unit (EMU) Manager, was interviewed.

Review of Internal Procedures

The following business activity related websites, procedures, documents, form and reports were collected and reviewed:

- Equipment Management Unit Performance Assessment – Implementation Plan Report (dated April 18, 2012).
- QEMS Document: A630D02 – Equipment Management Process (dated January 24, 2011)
- QEMS Form: FCE1213A – Vehicle/Equipment Justification Form - (dated November 23, 2004)
- QEMS Form FC 971 – Authorization to Take Home District Vehicle – (dated August 16, 2007)
- QEMS Work Instruction: W640D38 California Department of Motor Vehicles (DMV) Pull Notice Program and Commercial Vehicle Driver Proficiency Requirements (dated January 26, 2012)
- Procurement and Operational Services Division – Equipment Management Unit – Fiscal Year 2013 First and Second Quarter Reports
- Equipment Management Unit – District website (internal) – under Divisions and Offices/Administration/Procurement and Operational Services Division
- Equipment List – (May 2013)
- Quarterly Utilization Report (March 2013) – Class 1 Vehicles

Compliance Testing

To test organization compliance with the following QEMS Document: A630D02 – Equipment Management Process, a random sample of passenger vehicles was selected from the March 2013 Quarterly Utilization Report for evaluation and testing.

The following vehicles numbers were selected at random:

Vehicle #: 5852, 5315, 5841, 5670, 5224

Compliance tests were run to ensure the proper forms and approvals (FCE1213A and FC971, as applicable) were on file per District policy.

Fact Finding / Responses to Audit Scope Questions:

1. **Passenger Vehicle Definition**

The District uses vehicles for various operational and administrative purposes to achieve the mission of water supply, flood protection, and environmental stewardship.

A passenger vehicle is defined for the purpose of this audit report as a District owned sedan, van, or SUV (Class 1 vehicles, minus pick-ups and cargo vans).

2. **Current District Fleet Size**

The District's fleet has reduced from a total of 369 vehicles in 2004 to 260 vehicles in 2013, approximately a 30% reduction over that period.

The District's current fleet has 260 vehicles consisting of two categories/classes of vehicles: Class I and Class II. There are 185 Class I vehicles and 75 Class II vehicles.

Table 1 below shows the breakdown of Class 1 and Class II vehicles:

DISTRICT FLEET
TABLE 1

Class I		Class II	
Pickups	76	Crew trucks	40
Sedans	39	Water trucks	3
SUVs	49	Crane trucks	5
Vans (15 cargo, 6 passenger)	21	Trash compactors	6
		Fuel truck	1
		Flat beds trucks	6
		Heavy haul truck	1
		Dump trucks	8
		Mechanics trucks	2
		Welding truck	2
		Van - Liftgate	1
Total	**185**	**Total**	**75**
Total Vehicles = 260			

Of the Class I vehicles, 94 are passenger vehicles. Table 2 below shows the breakdown of passenger vehicles.

PASSENGER VEHICLES ONLY
TABLE 2

Passenger Vehicles	
Sedans (includes 10 hybrid)	39
SUVs (includes 19 hybrid)	49
Vans (passenger, non-cargo)	6
	94

Footnote: 29 of the 94, or approximately 31%, of the passenger vehicle fleet are gasoline/electric hybrid.

3. How are District Passenger Vehicles Utilized

District passenger vehicles are used for emergency response, field work, construction inspection, off-site meetings, flood information response, site visits, surveys, assessments, on-call duty, mail delivery, facilities maintenance, warehouse, and other purposes.

Table 3 below shows the utilization of passenger vehicles:

TABLE 3

USE of PASSENGER VEHICLES		
Assigned	67	
Motor Pool	27	
Total	**94**	

Of the 94 passenger vehicles in the fleet, 67 are assigned and 27 are in the motor pool. One staff person is authorized to take home a vehicle on a full-time basis (District Systems Control Supervisor) and 42 staff members are authorized to take home a vehicle on a part-time basis, normally due to jobsite or on-call reporting requirements, or for the District's "Guaranteed Ride Home Program" for carpoolers.

The Authorization to Take Home District Vehicle authorization form (FC-971) is required and staff must complete the justification form, including purpose and timeframe of the need for a take home vehicle, and obtain Unit Manager and Deputy Officer approval, whether the vehicle is to be taken home on a full-time basis or occasionally.

Motor Pool's vehicles are available through advance reservation with the Equipment and Fleet Management Unit.

4. Vehicle Retirement / Replacement Timeframe

District Passenger vehicles are retired or replaced at 12 years / 125,000 miles.

5. District Policies and Procedures Governing Passenger Vehicle Assignments and Use

The primary Quality and Environmental Management System (QEMS) control document for the use of passenger vehicles is QEMS Document A630D02 – Equipment Management Process (dated January 24, 2011).

6. Roles & Responsibilities

The roles and responsibilities of District Employees, Field Crews, Supervisors, Deputy Officers, Equipment Management Unit Manager, District Motor Pool Staff, Environmental, Health and Safety Unit, and Risk Management Unit are clearly stated in the QEMS A630D02 procedure (pages 4 – 6).

7. Take Home Vehicles/Assigned Vehicles – Approval Forms

Approval forms are in place for take home and assigned vehicles:

- ✓ QEMS Form FC 971 – Authorization to Take Home District Vehicle – (dated August 16, 2007)
- ✓ QEMS Form: FCE1213A – Vehicle/Equipment Justification Form - (dated November 23, 2004)

Deputy approval is required on both forms.

8. Utilization Reports

The Equipment Management Unit (EMU) produces a Quarterly Utilization Report that is posted to the EMU internal website and also published to all employees through News You Can Use.

The Quarterly Utilization Report reminds staff of existing vehicle/equipment use policies; outlines current procedures and forms and where staff can find and access them via web links; and includes a report on Class 1 Vehicle use for the quarter detailed by unit number, equipment #, description of vehicle, custodian of vehicle, if applicable, or listed as motor pool, odometer reading, average mileage usage by day and month; and a report on Class IV Equipment issued out over 90 days.

The EMU Quarterly Utilization Report is an excellent report and a key tool for reviewing, managing and controlling the Use of District Passenger Vehicles.

9. Improper Use

When improper use of District vehicles occur or violations of the Equipment Management Process Procedure (Q630D02) come to the attention of fleet staff, the following actions are taken:

A. The vehicle's custodian or authorized user is notified of the violation.

B. The employee's manager is contacted by the Fleet Manager and advised to take appropriate action, based on the severity and nature of the violation.

Violations of improper use of passenger vehicles happen infrequently, approximately four on average per year, and can range in severity. Examples of violations include: smoking in vehicles, maintaining an excessively dirty vehicle, over weight load (too many tools/materials which places vehicle above the manufacturers Gross Vehicle Weight Rating); or failure to report an accident, injury or vehicle body damage.

10. Procedural Compliance Testing (results)

The methodology used in the compliance testing portion of the audit was to select a sample number of passenger vehicles in the fleet. Each sample vehicle was then reviewed against the current District procedures to determine compliance with each of the procedural areas regarding district passenger vehicle use that is under review.

Test sample was 5 vehicles, or approximately 5% of the passenger vehicle fleet.

Reference documents used for compliance testing: Q630D02 Equipment Management Process; Class 1 Vehicles – Quarterly Utilization Report (March 2013), Authorization to Take Home District Vehicle – Spreadsheet provided by EMU (dated 5-13-2013).

Vehicle #	Vehicle Description	Custodian Name or Motor Pool?	Custodian Name or Motor Pool Is this an assigned vehicle? Yes or No If yes, is an approved FCE 1213A on file? Yes or No If yes, please provide copy of completed form to the auditor?	Is this a take home vehicle? Yes or No If yes, is an approved FC 971 form on file? Yes or No If yes, please provide copy of completed form to the auditor
5852	2011 SUV/ESCAPE/HYBRID/GAS	AARON CARMICHAEL	YES NO FORM ON FILE	NO
5315	2002 SEDAN/TAURUS/GAS	MOTOR POOL	NO	NO
5841	2009 SUV/ESCAPE/HYBRID/GAS	NAVROOP JASSAL	YES NO FORM ON FILE	NO
5670	2012 F-150/4X4/GAS	JERRY SPARKMAN	YES NO FORM ON FILE	YES
5334	2005 SEDAN/PRIUS/HYBRID/GAS	MOTOR POOL	NO	NO

External Monitoring and Review

The California Highway Patrol (CHP) inspects district EMU practices annually as a part of their Biannual Inspection Terminal (BIT) Program.

The district also participates in the California Department of Motor Vehicles (DMV) License Pull Notice Program, in which the district receives regular reports from the DMV regarding employee's driver's license status changes, such as revoked license or license suspensions. The district participation in the DMV Pull Notice Program is fully documented in the following QEMS work instruction (QEMS W64OD38).

GENERAL OBSERVATIONS

Overall, the use of passenger vehicles is well managed at the district.

The following strengths were noted in the program:

The district has:

- Well documented Equipment Management Unit (EMU) procedures governing vehicle and equipment use.

- Well defined roles and responsibilities between units (such as EMU, EH&S, HR) that are clearly stated and communicated in the Equipment Management Process procedure.

- Legal and safety measures, such as drug testing (Admin Procedure Ad-2.9), vehicle accident reporting forms (FC 229), and ensuring employees' that check out pool or assigned vehicles for use have a valid California Drivers License on file (QEMS W640D38), are maintained and in place.

- Timely published and well organized Quarterly Vehicle Utilization Reports that are made readily available to management and staff to use to effectively manage passenger vehicles use.

Based on a level 1 audit level review of the program, it was determined that the district's current procedures and practices surrounding the Use of District Passenger Vehicles, if followed, do provide the managerial controls necessary to provide a reasonable level of assurance that passenger vehicles at the district are used in a matter that is appropriate and in line with business needs.

The audit did note that there is room for improvement in a few program areas such as management oversight and approval of take home vehicles; the review and enforcement of usage minimums for assigned vehicles; management level review of the Quarterly Vehicle Utilization Report to ensure the proper balance between assigned vehicles and motor pool vehicles; and forms and records management.

It was further noted under findings and recommendations that the EMU Manager is doing a fine job of right-sizing the district passenger vehicle fleet and is encouraged to

continue right-sizing to match staffing levels and business needs, and the district is also encouraged to continue exploring the use of hybrids and other alternative fuel vehicles.

Audit results, including procedural compliance testing results, and specific audit findings and recommendations for improvement are listed in the next section.

AUDIT FINDINGS / RECOMMENDATIONS

Management Oversight / Controls

Finding:

The District Q630D02 Equipment Management Process requires Deputy Officer level approval for both Assigned Vehicles (page 10) and on Take Home vehicles (page 13).

Form FC971- Authorization to Take Home District Vehicles (Exhibit A) requires signatures by the employee, unit manager, and the CEO/COO/CAO **or** Deputy Officer.

FC971 forms are submitted to the Motor Pool Office by October 31 of each year. Employee must obtain renewed authorization annually. Currently, 43 District employees have authorization (either full time or part time) to take home a district vehicle.

Recommendation:

Due to the liability and sensitivity surrounding take home vehicles, the District may want to consider requiring BAO/COO/CAO approval on all Authorization to Take Home Vehicle (FC971) forms.

Effective Utilization

Finding:

The criteria for justification of an assigned vehicle, as stated in the Equipment Management Process (Q630D02, pg 10) and on the Vehicle/Equipment Justification form (FC 1213A) states one criteria to be "average use above 300 miles per month or 3,000 miles per year".

In review of the March 2013 Class 1 Quarterly Vehicle Utilization Report (Exhibit B), it appears that there may be an underutilization of some assigned vehicles, based on the average monthly utilization.

Recommendation:

Recommend that the District develop a formal "minimum use" review process, whereas assigned passenger vehicles, used less than 300 miles per month on

average on the Quarterly Vehicle Utilization Report, are identified by the Equipment Unit Manager, and routinely evaluated by on a quarterly basis by the Deputy Officer to determine if the vehicle should be released from assignment and returned to the District motor pool, for all employee use.

Fleet Right-Sizing

Finding:

The District's fleet has reduced from a total of 369 vehicles in 2004 to 260 vehicles in 2013, approximately a 30% reduction over that period. One new vehicle is being added to the fleet in FY2014 to support the new Silicon Valley Advanced Purification Center.

Recommendation:

Continue to right-size fleet, as needed, to remain in line with District staffing levels and business needs. Pay close attention to utilization (and under-utilization) of vehicles to determine if reallocation of existing vehicles can occur, rather than add vehicles, as new projects and Safe Clean Water activities ramp up.

Alternative Fuel Vehicles

Finding:

29 of the 94, or approximately 31%, of the current District passenger vehicle fleet are gasoline/electric hybrid.

Recommendation:

Continue to explore the use of alternative fuel vehicles, when purchasing or replacing fleet passenger vehicles. It is acknowledged that infrastructure and premium costs must be taken into consideration when exploring the purchase of hybrids and electrics.

Vehicle Justification Forms

Finding:

During the compliance testing phase of the audit, it was discovered that current Vehicle/Equipment Justification forms (FC 1213A) were not on file for Aaron Carmichael, Navroop Jassal, Jerry Sparkman. All of whom have assigned vehicles per the Quarterly Utilization Report.

Vehicle #	
5852	AARON CARMICHAEL

5841	NAVROOP JASSAL
5670	JERRY SPARKMAN

The explanation provided was that Vehicle/Justification Forms are only on file for staff requesting assigned vehicles since the QEMS procedure was put in place (Jan. 2010) and the above employees had their vehicles assigned prior to the implementation of the new procedure.

Recommendation:

Bring all Equipment Unit records and forms up to date by requiring that a current Vehicle/Equipment Justification form (FC 1213A) be on file for all assigned vehicles. Review annually to ensure records and forms are kept up to date.

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(Conclusion of report)

EXIT MEETING(S)

An audit exit meeting to discuss the findings and recommendation contained in the draft audit report was held with the Procurement and Operational Services Division Deputy Administrative Office and the Equipment Management Unit (EMU) Manager on May 20, 2013.

There was opportunity made at the exit meeting for the managers to provide clarifying information or make factual corrections to the draft audit report. Comments were received and minor edits to the draft report were made.

The final Use of District Passenger Vehicles Audit Report will be presented to the Chief Administrative Officer (CAO) on May 23, 2013.

The district will have the opportunity to submit a formal written response (District Management Response) to the audit on whether the district's agrees or disagrees with the audit report findings and recommendations. The District Management Response may also outline any action the district plans on taking to implement accepted recommendations.

AUDIT COMMITTEE and BOARD APPROVAL

The final Use of District Passenger Vehicles Audit Report, with District Management Response, if provided, will be presented to the Board Audit Ad Hoc Committee for committee review and approval on June 5, 2013.

Once approved by the BAAHC, the report and response will be taken to the full Board for review and acceptance.

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AUDIT REPORT

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Report Distribution:

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Key District Project Staff:

Beau Goldie, Jesus Nava, Ravi Subramanian, Art Taylor

Attached:

1. Exhibit A - Form FC971- Authorization to Take Home District Vehicles
2. Exhibit B - March 2013 Class 1 Quarterly Vehicle Utilization Report